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FOREIGN SERVICE DESPATCH

FROM : AMEMBASSY, GUATEMALA — 120 DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON. — August 8, 1953 DATE

REF : --

AUG 8 1953

Action Assigned to

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Action Taken

SUBJECT: WEEKA NO. 32 - ECONOMIC SECTION

Date of Action 8-17-53

Action Office Symbol 140

Name of Officer Vinsette

DECLASSIFICATION DATE 1980
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SECTION II

Business was good in July but that it marked the beginning of a general upward trend was doubtful as lack of confidence and low private capital investment continued to be dominant factors. Substantial sales of road construction equipment to the Government tended to compensate for the virtual cessation of heavy machinery purchasing by private farmers and builders. Sales of fertilizers, light agricultural equipment and hardware increased. Auto, home appliance, and department store volume slightly better than June in spite of depressing seasonal factors indicated a continuing high level of personal income among the middle and upper classes.

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Government Finance

Deputy Julio ESTRADA de la Hoz, Chairman of the Congressional Finance Commission, told Congress this week that enactment of the bill increasing cigarette taxes (WEEKA No. 31) was an urgent matter as the 1953-4 budget included over $1,000,000 of estimated income from that bill and further delay could create a serious fiscal situation. In supporting the measure against Communist attempts to substitute a higher tax on banana exports, Sr. Estrada said that the Ministry of Finance might fix prices to ensure that the taxes were not passed on to the consumer and that although Congress was obliged to fight "tooth and claw" for workers' rights it also had fiscal obligations to fulfill.

Communist Deputy Carlos PELLECER had led opposition to the bill on grounds that it was unjust to burden

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national industries with new taxes while large foreign companies such as the United Fruit Company contributed so little; that the cigarette companies would be unable to raise salaries if their taxes were being continually increased; and that the taxes would be passed on to the consumers whose cost of living had already doubled or tripled in recent years. Sr. Pellecer said that he would soon present a proposal raising by $0.01 per stem the banana export tax and at the same time revising the contracts with foreign companies.

After listening to Sr. Pellecer's arguments, Sr. Estrada de la Hoz agreed to postpone the debate and study the matter further.

Chicle

The failure of the Government's effort to control one segment of the economy was signalized this week by the publication of an Administration-sponsored proposal to restore free private exploitation and trade in the chicle business. The projected law would reduce chicle export taxes from [illegible]20 to 05 (AMEMBA No. 31), free chicle from all other federal and municipal taxes and authorize the Ministry of Agriculture to sign chicle-harvesting contracts with private persons or groups. Sr. J.Roberto FAJUR, Minister of Economy, told the press that the bill favored the free operation of the law of supply and demand and that the Government wanted anyone to be able to gather and sell Guatemalan chicle, "just as in the coffee business".

The Government began financing the chicle gatherers and exporting the crop in 194[illegible] when the United States chicle companies, which had financed and exported the entire crop, ceased operations in Guatemala due to the threat of strict Government regulation, lengthy delays in granting exploitation permits, and agitation against foreign enterprises.

R. E. Schoenfeld

Rudolf E. Schoenfeld

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